

COMMISSIONERS

Robert "Bob" Burns - Chairman
Boyd Dunn
Sandra D. Kennedy
Justin Olson
Lea Márquez Peterson



LEA MÁRQUEZ PETERSON
COMMISSIONER

(602) 542-3625 desk
(602) 463-3814 text
LMarquezPeterson-Web@azcc.gov

ARIZONA CORPORATION COMMISSION
OFFICE OF COMMISSIONER LEA MÁRQUEZ PETERSON

September 1, 2020

RE: In matter of the application of Arizona Public Service Company for a Ruling Relating to its 2020 Demand Side Management Implementation Plan. (Docket No. E-01345A-19-0088)

Subject: Customer Relief Package: to Provide Immediate Short-Term and Long-Term Relief to Existing Residential Customers in Need During COVID-19; to Help Vulnerable Populations Prepare for and Save Money During Seasonal Weather Demands in Arizona in 2020 and 2021.

Dear Arizona Public Service Company,

As many Arizonans struggle to overcome the personal and financial challenges of COVID-19 and the economic downturn, I have recognized that several programs in your pending energy efficiency budget could provide much-needed relief to potentially tens of thousands of households currently struggling to cope with high energy bills and record temperatures that have occurred over the last several months.

Due to the impacts of COVID-19 and economic realities facing many Arizonans, I believe it could be appropriate for the Commission to utilize APS's pending 2020 Demand-Side Management Implementation Plan (DSM Plan) to provide immediate short-term and long-term relief to families in need, both during COVID-19 and in preparation for next year's seasonal weather demands.

According to the American Council for an Energy-Efficient Economy (ACEEE), rural, low-income, and elderly households spend a larger portion of their monthly income on home energy bills than other utility customers. This includes renters, who often lack the rights or resources to make energy efficiency improvements on their own. In addition, older homes, low-end housing, and multifamily rentals, where many rural, senior, and low-income customers live, are typically less energy-efficient than other homes, sometimes substantially, and therefore compound the energy burdens on our most vulnerable populations.

Meanwhile, it's no secret that extreme temperatures and seasonable weather demands in our state comprise one of the largest drivers for high energy bills in Arizona, as thousands of families crank up their central heating and cooling to stay warm in the high country and cool in the summer heat. High energy burdens, coupled with the recent economic downturn and record temperatures, have forced many Arizonans to make tough choices regarding the purchases they can make and the bills they can pay. As we've seen, economic challenges can also translate to hard choices regarding the ability to set reasonable temperatures in one's home, and access to continuous and reliable power while keeping bills affordable is literally a matter of life and death in Arizona.



However, during these unprecedented times, there may be a solution that can help ease some of the burden on customers in need. According to the U.S. Department of Energy, properly insulating a home reduces heating and cooling costs, and, according to the Southwest Energy Efficiency Project (SWEET), home weatherization programs, which provide energy efficiency upgrades (such as insulation and ductwork) at no cost to occupants, can help low-income families instantly and permanently reduce their energy bills by making homes more energy efficient.

While APS's overall DSM budget of \$51.928 million currently benefits a mix of customer segments and stakeholders (including affluent households, large commercial and industrial customers, new home builders and buyers, limited-income customers, small businesses, schools, and non-profits), with many families working and learning from home, I believe these unusual times may justify a new approach this year.

Accordingly, I am writing to request APS prepare an alternative proposal for the Commission to consider. Due to the unique circumstances of COVID-19, I am respectfully requesting APS propose amendment language that would adopt APS's 2020 DSM Plan as a "Customer Relief Package," which would reallocate, without increasing the overall budget, as many DSM dollars as possible to rebates and incentives for the following programs and measures, which provide the greatest economic relief to existing families in need and help vulnerable populations prepare for next years' extreme weather conditions:

- Limited-Income Weatherization (Existing Residential & Multi-Family)
- SEER-Rated HVAC Qualify Install (Existing Residential & Multi-Family)
- ROS Thermostats/ Leave Behind Thermostats (Existing Residential & Multi-Family)
- Programmable Thermostats/ Smart Thermostats (Existing Residential & Multi-Family)
- Connected Water Heaters/ Water Heater Timers (Existing Residential & Multi-Family)
- Existing Homes Program/ ENERGY STAR Appliances (Existing Residential & Multi-Family)
- Energy Gateway Devices/ Consumer Behavior Program (Existing Residential & Multi-Family)
- Cool Rewards Demand Response Program (Enrollment) (Existing Residential & Multi-Family)
- Programs and measures that help save energy during the times of day when prices per kWh are highest for the average customer.

In other words, I am asking APS to propose a Customer Relief Package that, to the greatest extent possible, goes "all-in" on the programs and measures listed above, focusing on Limited Income Weatherization, HVAC Quality Install, and Programmable Thermostats. To protect schools and nonprofits, no funds should be taken away from school and non-profit customer segments in APS's proposal.

As existing residential customers continue to struggle with monthly bills and record temperatures, the Commission has a strong reason to allocate as much DSM resources as possible, without affecting the overall budget, to programs that can make the most meaningful impact for Arizonans during these challenging times. Because APS customers have already paid for a majority of APS's 2020 DSM budget through a surcharge on customers' bills, I would not feel comfortable increasing the overall budget at this time. As you recall, I requested the Commission to temporarily suspend APS's DSM surcharge earlier this year, to provide as much relief to customers as possible during COVID-19. Because increasing the overall budget would also result in an increase in the DSM surcharge, and therefore an increase to monthly expenses for families in need, I would not support an increase to the overall budget at this time. Based on my review of APS's 2020 total \$51.928 million budget, approximately \$15 million could be shifted from programs designated for non-residential customer segments (excluding schools and



nonprofits) to maximize the programs and measures described above. Based on my rough calculations, I estimate that if APS were to reallocate the full \$15 million, APS and its trade partners in energy efficiency should be able to achieve all of the following:

- Weatherize as many as 1,000 limited-income homes;
- Install as many as 10,000 SEER-rated energy efficient HVAC systems;
- Deploy as many as 50,000 smart and programmable thermostats to existing residential customers in need between now and the next summer heat in 2021; and
- Give as many as 10,000 households control over their monthly energy usage and data, to help customers save money during the times of day when prices per kilowatt-hour are highest for the average customer.

I believe reallocating some or all of the \$15 million to accomplish the goals above would not only help struggling families in need, but also provide direct benefits to the small businesses and independent contractors that install energy-saving resources on customers' behalf, creating jobs in Arizona at a time when economic stimulus is critical. According to SWEEP, investments in energy efficiency resources benefit not only Arizona's households, but also Arizona's jobs and the economy.

In the Customer Relief Package, I would like to see APS propose the following:

- Keep the overall budget the same and no increase to the DSM surcharge.
- Approve all programs and measures for existing residential and multi-family customer segments to maximize the focus on residential customers in need.
- Increase the total rebate and incentive budget amounts for each of the programs and measures above, including Limited-Income Weatherization, HVAC Quality Install, and Smart/Programmable Thermostats, so more customers have an opportunity to benefit.
- Increase the per-person/per-unit rebate and incentive amounts and caps for each of the programs and measures above, so more customers have an opportunity to benefit without diminishing the individual incentive amount.
- Fund the increases by reallocating funds from non-residential and non-existing customer segments, prioritizing the shifting of funds from excess spending, administrative costs, and programs that don't help customers save during system peak.
- Do not allocate funds away from schools and non-profit customer segments.
- Extend the program budgets and expiration dates to June 30, 2021, to correlate with one month after the Commission's summer moratorium on June 1, 2021.
 - This gives customers more time to install energy-saving improvements prior to the next summer heat. It also gives the Commission three quarters to actively monitor APS's expenditure of funds following the Commission's decision.



- Require APS file quarterly reports on program spending to ensure 100% of program funds are expended prior to June 30, 2021.
 - The Commission needs assurances that APS will spend 100% of the funds the Commission approves. The Commission has faced issues related to the total expenditure of APS's collected DSM funds in previous years, which the Commission must overcome. To track this goal and add accountability and transparency to the effort, the Customer Relief Package must require quarterly reports that include the following:
 - the percent and amount of money spent;
 - the programs and measures the money was spent on; and
 - the number, customer types, and geographic diversity/locations of the recipients who benefited.
- Treat all funds related to Limited-Income Weatherization, HVAC Quality Install, and Smart/Programmable Thermostats as fungible so they can be moved swiftly between programs of like-customer classes as circumstances surrounding customer participation, funding levels, and economic recovery change in the next nine months.
 - No advanced notice should be required for APS to move funds between programs that are meant to benefit the same customer segment; however, APS should be required to notify and work in collaboration with stakeholders, so consumer advocates have an opportunity to weigh-in on the most efficient use of funds before they are shifted. The intent is that funds designated to help existing residential customers and multi-family should not be taken away from these customer segments, but they should be able to move freely within these customer segments as circumstances change.
- Address the issues of small businesses, electrification, commercial retrofits, and peak demand in APS's 2021 DSM Plan, to ensure commercial customer segments have an opportunity to contribute to the state's economic recovery the following DSM year.
- "Approves" all non-residential and commercial programs for purposes of A.A.C. R14-2-2401 *et seq* and expedites their review in APS's 2021 DSM Plan but concurrently reduces their budgets as necessary to focus on the programs and measures above.
- Address the issue of cost recovery and DSM surcharges in APS's 2021 DSM Plan so the Commission can eliminate future surcharges and find new ways to incentivize energy efficiency investments and treat DSM equally with other resources.
- Address the issue of Cost-Effectiveness so the Commission faces no delays in reviewing and approving APS's 2021 DSM Plan.

Please propose a revised budget and amendment language that accomplishes as much of the above objectives as possible no later than September 11, 2020.



In the meantime, please provide the following information related to the programs and measures above to give the Commission sufficient data to evaluate the proposal: (1) the total number of eligible participants that could benefit; (2) the number of families that have been served in the history of each of the programs; (3) the geographic diversity of potential and prior recipients in the history of each program; and (4) the total economic return on investment families will receive, based on the proposed Customer Relief Package, to ensure Arizonans will receive more energy savings during expensive peak hours than was invested in the programs.

I would also like to hear from stakeholders and APS's customers regarding my request. If stakeholders are able, I would appreciate the opportunity to see studies or data that confirm or deny whether the DSM programs and measures above (particularly limited-income weatherization, SEER-rated HVAC units, and smart/programmable thermostats) provide the greatest return on investment for Arizona's families per dollar paid-in. This will help the Commission, as well as me, evaluate the merits of the package prior to our consideration and vote in September.

Stakeholders and APS customers should have an opportunity to file responses to APS's proposals no later than September 18, 2020.

I look forward to your response and hope my fellow commissioners write in support. Thank you.

Sincerely,

A handwritten signature in blue ink that reads "Lea Márquez Peterson".

Lea Márquez Peterson
Commissioner

